

Annuity Checklist

First, contact DIFS, the insurance regulator for the state of Michigan, and confirm the following:

- The insurance company is registered and licensed with DIFS.
- The insurance product being recommended is registered with DIFS.
- The soliciting agent/advisor is registered with DIFS and has the proper licenses to sell insurance products in Michigan.

Second, ask your financial services provider to provide you with following details:

- Confirm the financial rating of issuing insurance company
- Know the annuity's features, benefits and caveats
- Fixed annuity: Know the 'floor' or guaranteed minimum interest rate
- Fixed annuity: Know how and when the new rate is declared and the terms
- Variable annuity: Evaluate the diversity of the sub-account options and performance
- Indexed annuity: Know the 'participation rate' or 'cap rate'
- Know the total annual management fees by percentage and all other expenses and 'rider' costs
- Know the tax treatment for accumulated growth and on withdrawals
- Know the length of the contract (in years)
- Know the year-by-year surrender charges
- Know the terms for penalty-free withdrawals

Completing the annuity checklist requires gathering a lot of information and knowing the meanings of a lot of terms. Make it the responsibility of the financial services provider recommending the annuity to provide you with the information and explanations necessary for completing this checklist. You only need to get the information, not do the work. Remember, one of the purposes of a checklist is to ensure that information you gather, or that is provided to you, is complete and to an explicit level of detail so that you can make informed decisions.

One last thing to do, ask the financial services provider recommending the annuity the following question: "In recognition of all the other types of investments and combinations of investments available to me, why is this annuity a suitable choice for me?" Get the answer in writing.